

**CLARKSVILLE  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2004

## TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-Wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14-15
Governmental Fund Financial Statements:	
Balance Sheet	C 16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 17
Statement of Revenues, Expenditures and Changes in Fund Balances	E 18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 19
Proprietary Fund Financial Statements:	
Statement of Revenues, Expenses and Changes in Net Assets	G 20
Statement of Cash Flows	H 21
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	I 22
Statement of Changes in Fiduciary Net Assets	J 23
Notes to Financial Statements	24-31
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	32
Notes to Required Supplementary Information - Budgetary Reporting	33
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	1 34
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 35
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 36
Schedule of Changes in Private Purpose Trusts	4 37
Comparison of Taxes and Intergovernmental Funds	5 38
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting	39-40
Schedule of Findings	41-42

**CLARKSVILLE COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**BOARD OF EDUCATION**

(Before September, 2003 Election)

Dave Bolin	President	2003
Paul Leerhoff	Vice President	2005
Dale Harris		2003
Pat Mennenga		2004
Joyce Freese		2004

(After September, 2003 Election)

Paul Leerhoff	President	2005
Kyle Wedeking	Vice President	2004
Chris Fenneman		2006
Joe Wedeking Jr.		2006
Joyce Freese		2004

**SCHOOL OFFICIALS**

Randall Nichols	Superintendent
Diane Renning	District Secretary/ Treasurer

## **Independent Auditor's Report**

To The Board of Education of the  
Clarksville Community School District:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Clarksville Community School District, Clarksville, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Clarksville Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 7 to the financial statements, during the year ended June 30, 2004, Clarksville Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated October 26, 2004 on our consideration of Clarksville Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarksville Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report. The financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BRUCE D. FRINK  
Certified Public Accountant

October 26, 2004

## **CLARKSVILLE COMMUNITY SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Clarksville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

#### **2004 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$2,811,532 in fiscal 2003 to \$2,796,661 in fiscal 2004, while General Fund expenditures increased from \$2,794,961 in fiscal year 2003 to \$2,893,491 in fiscal 2004. The District's General Fund balance decreased from \$420,754 in fiscal 2003 to \$323,924 in fiscal 2004, a 23% decrease.
- The District participates in a 28E consortium with 15 other school districts to provide health insurance for its employees. As Fiscal Year 2004 began, this consortium operated a self-funded insurance plan. Premiums set in April 2003 showed a 56% increase in premiums. Changes within the District's plan (moving to higher deductibles and out-of-pocket maximums) limited the increase in premiums to 33%. However, even with the significant increase in premiums, deficits in the funding of the consortium's plan required the consortium to assess its members for additional funding beyond the insurance premiums paid monthly. For the District, this resulted in the payment of \$76,428 in assessments over and above its monthly insurance premiums. In addition, in January 2004 the consortium moved to a fully-funded insurance program with Wellmark Blue Cross Blue Shield. Insurance premiums increased mid-year by approximately 9% for the District. This resulted in an additional \$24,549 beyond what had been budgeted for health insurance by the District. The total additional cost for health insurance borne by the District beyond its budgeted expectations was \$100,977.
- In November 2003, the Governor implemented a 2.5% across-the-board cut in state funding. In June, due to increased state revenues, the Governor restored 10% of the across-the-board cut, resulting in a net cut of 2.25% for the District. This meant the District received a cut in state aid and categorical funding of \$32,606.
- The District continued repayment of state aid funding as part of its 5-year work-out plan for enrollment miscounts in the September 1999 and September 2000 Certified Enrollments. For Fiscal Year 2004, the amounts of this repayment was \$28,570.
- The District completed a renovation project of the Junior-Senior High School science classrooms and laboratory for which it had received a \$113,750 federal School Renovation/IDEA grant.
- The District received \$32,469 in a federal Small Rural Schools Achievement Grant as part of the Rural Education Achievement Program.
- The District's Certified Enrollment increased slightly from 358.5 students in September 2002 to 362.0 students in September 2003.
- To pay for the education of students placed in Juvenile Homes, the state deducted \$7,322 from the District's state aid.
- The District began the renovation of a room to provide a special needs (handicapped) restroom and personal care (toileting) area for its special needs students using federal funds from the Individuals with Disabilities Education Act, Part B grant of \$14,427.

- The number of students who open enrolled out of the District increased by 3 students in the September 2003, Certified Enrollment compared to the September 2002 Certified Enrollment while the number of students who open enrolled in to the District increase by 1. Therefore, the difference between the open enrollment out and the open enrollment in grew by 2 students from 2002-03 to 2003-04. The net difference between the District's open enrollment in (positive financial impact) and its open enrollment out (negative financial impact) was a negative 8 students.
- The State eliminated Phase III Educational Excellence categorical funds, which the District had previously used to provide staff development.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the general purpose financial statements and required supplementary information.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1  
Clarksville Community School District

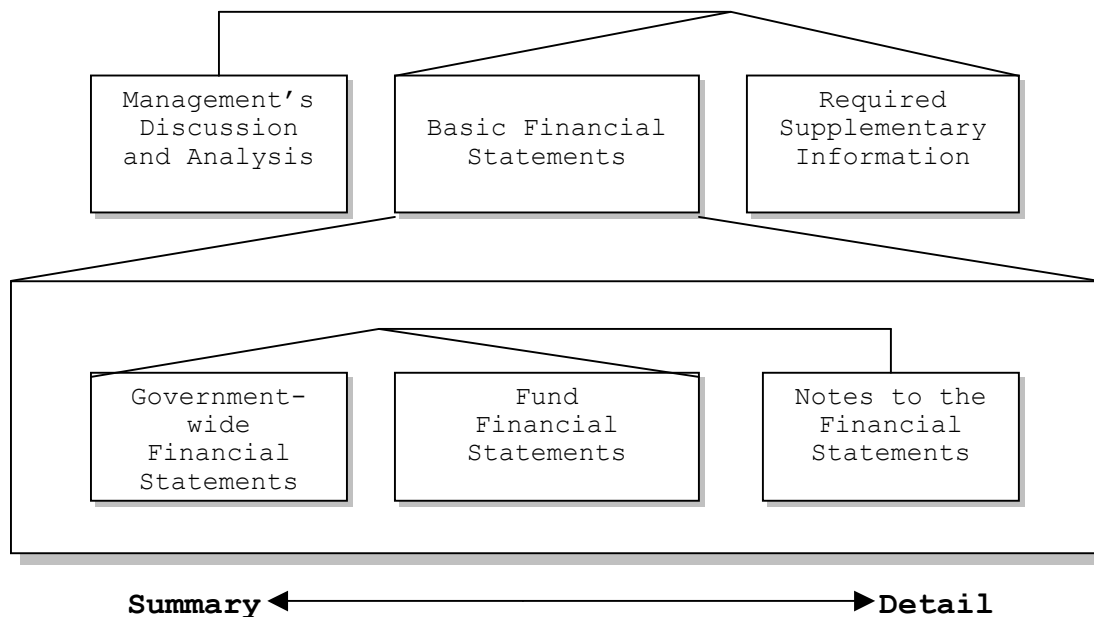


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain the remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2**

**Major Features of the Government-Wide and Fund Financial Statements**

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows	. Statement of fiduciary net assets . Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The Government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid, finance most of these activities.
- **Business-type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund. Most of the District's basic services are included here, such as regular education, special education, building and grounds maintenance, transportation, and administration. Most of these activities are funded with property taxes and state aid finance.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trusts.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004 compared to June 30, 2003.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>		<b>Percentage</b>
	<b>Activities</b>		<b>Activities</b>		<b>School District</b>		<b>Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2003-2004</b>
	\$	\$	\$	\$	\$	\$	
Current assets	1,653	1,793	3	3	1,656	1,796	-7.80%
Capital assets	1,848	1,809	6	9	1,854	1,818	1.98%
<b>Total assets</b>	<u>3,501</u>	<u>3,602</u>	<u>9</u>	<u>12</u>	<u>3,510</u>	<u>3,614</u>	<u>-2.88%</u>
Current liabilities	1,190	1,189	2	-	1,192	1,189	0.25%
Non-current liabilities	745	875	-	-	745	875	-14.86%
<b>Total liabilities</b>	<u>1,935</u>	<u>2,064</u>	<u>2</u>	<u>-</u>	<u>1,937</u>	<u>2,064</u>	<u>-6.15%</u>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	1,103	934	6	9	1,109	943	17.60%
Restricted	100	141	-	-	100	141	-29.08%
Unrestricted	363	463	1	3	364	466	-21.89%
<b>Total net assets</b>	<u>1,566</u>	<u>1,538</u>	<u>7</u>	<u>12</u>	<u>1,573</u>	<u>1,550</u>	<u>1.48%</u>

Fiscal year 2003-2004 marks the initial District implementation of the GASB-34 financial reporting model. As a result, complete prior year comparisons are not available but will be provided in all subsequent years.

Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

**Figure A-4**  
**Change in Net Assets**  
**(Expressed in Thousands)**

	Governmental Activities \$	Business-type Activities \$	Total School District \$
Revenues:			
Program revenues:			
Charges for service and sales	148	81	229
Operating grants, contributions and restricted interest	580	67	647
General revenues:			
Property tax	1,187	-	1,187
Income surtax	117	-	117
Unrestricted state grants	1,238	-	1,238
Unrestricted investment earnings	14	-	14
Other	3	-	3
Total revenues	<u>3,287</u>	<u>148</u>	<u>3,435</u>
Program expenses:			
Governmental activities:			
Instruction	2,225	-	2,225
Support Services	733	-	733
Non-instructional programs	2	153	155
Other expenses	296	-	296
Total expenses	<u>3,256</u>	<u>153</u>	<u>3,409</u>
Change in net assets	<u>31</u>	<u>(5)</u>	<u>26</u>

Property tax and unrestricted state grants account for 71% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 87% of the total expenses.

## GOVERNMENTAL ACTIVITIES

Revenues for governmental activities were \$3,287,307 and expenses were \$3,425,470.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5</b>		
<b>Total and Net Cost of Governmental Activities</b>		
<b>(Expressed in Thousands)</b>		
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	<b>\$</b>	<b>\$</b>
Instruction	2,225	1,753
Support Services	733	709
Non-instructional programs	2	2
Other expenses	<u>296</u>	<u>64</u>
Totals	<u>3,256</u>	<u>2,528</u>

- The cost financed by users of the District's programs was \$148,194.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$483,717.
- The net cost of governmental activities was financed with \$1,186,055 in property tax, \$1,237,973 in state foundation aid, and \$14,126 in interest income.

## PROPRIETARY-TYPE FUNDS

Revenues for the District's School Nutrition Fund were \$148,015 and expenses were \$153,399. The revenues include charges for services, contributions, and federal and state reimbursements.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Clarksville Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$465,801, which is less than last year's ending fund balance of \$508,666.

## GOVERNMENTAL FUND HIGHLIGHTS

Several factors contributed to the small increase of the fund balance in the District's governmental funds. Some of these factors were unexpected; some were deliberately planned.

- An across-the-board cut by the Governor in state aid reduced revenues in the General Fund by \$32,606.
- Unexpected assessments and mid-year increases in premiums for health insurance increased expenditures in the General Fund by \$100,977.
- The District continued repayment of state aid for the enrollment miscount of students on the Certified Enrollments in September 1999 and September 2000 resulting in a reduction of \$28,570 in General Fund revenues.

- To lower property tax levies, the District used \$12,249 of the fund balance in the Management Fund.
- To lower property tax levies, the District used \$26,534 of the fund balance in the Debt Service Fund.

## **PROPRIETARY FUND HIGHLIGHTS**

School Nutrition Fund net assets decreased from \$12,049 at June 30, 2003 to \$6,665 at June 30, 2004, representing an decrease of approximately 45%.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

It is the District's practice, as is in most Iowa school district, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year.

## **CAPITAL ASSETS**

The District has invested more than \$3.7 million by the end of fiscal year 2004 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. Total depreciation expenses for the year exceeded \$108,000.

## **LONG-TERM DEBT**

The District had \$745,000 in general obligation, debt outstanding on June 30, 2004. This represents a decrease of \$130,000 from the previous year.

The District had total outstanding bonded indebtedness on June 30, 2004, of \$745,000. The principal and interest on the bonds will be paid in full by June 1, 2009. The District makes principal and interest payments annually on these bonds using property tax dollars obtained through a debt service levy specifically for these bonds.

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- In January 2004, the voters of Butler County approved a ten-year School Infrastructure Local Option sales tax, which will provide funds for property tax reduction and school infrastructure projects affecting the Physical Plant and Equipment Levy Fund, Capital Projects, and Debt Service Funds of the District beginning July 2004.
- To offset the impact of declining enrollment, the State has provided a budget guarantee provision for districts. This budget guarantee provision is being phased out over a 10 year period. The District was on budget guarantee for Fiscal Year 2004 and will continue. The phase out will reduce the District's revenue by \$19,730 in Fiscal Year 2005. Due to previous and continued declining enrollment, the amount of this reduction due to the phase out of the budget guarantee will likely grow over the next several years.

- The move from a self-funded health insurance plan to a fully funded health insurance plan will provide increased stability for insurance premiums in the future.
- The District will continue to make repayments of state aid for the Certified Enrollment miscounts in September 1999 and September 2000 in Fiscal Years 2005, 2006, and 2007. The amount of the repayment each year will be \$28,570.
- In June 2009, the District will complete its payment of its bonded indebtedness for the high school gymnasium additions. This will eliminate the need for the Debt Service Levy.
- The District is the recipient of an Iowa Demonstration Construction Grant for \$139,500 that will be used during the summer of 2005 to renovate the original 1951 corridor and classrooms in the Elementary Building.
- In the fall of 2004, the District has completed the renovation of a small classroom, converting it into a special needs, handicapped-accessible restroom and personal care (toileting) area. The District used grants from the Individuals with Disabilities Education Act, Part B for this project.
- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the federal No Child Left Behind Act and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Randall Nichols, Superintendent, Clarksville Community School District, 318 N Mather, Clarksville, Iowa 50619.

## Basic Financial Statements

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash	408,678	-	408,678
Receivables:			
Property tax:			
Current year	15,813	-	15,813
Succeeding year	1,061,113	-	1,061,113
Income surtax - succeeding year	124,423	-	124,423
Due from other governments	16,512	-	16,512
Other receivables	26,739	122	26,861
Inventories	-	2,450	2,450
Capital assets, net of accumulated depreciation	1,847,606	6,273	1,853,879
<b>Total assets</b>	<u>3,500,884</u>	<u>8,845</u>	<u>3,509,729</u>
<b>Liabilities</b>			
Accounts payable	1,941	2,180	4,121
Accrued interest payable	2,840	-	2,840
Deferred revenue:			
Succeeding year property tax	1,061,113	-	1,061,113
Succeeding year income surtax	124,423	-	124,423
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	135,000	-	135,000
Portion due after one year:			
General obligation bonds payable	610,000	-	610,000
<b>Total liabilities</b>	<u>1,935,317</u>	<u>2,180</u>	<u>1,937,497</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,102,606	6,273	1,108,879
Restricted for:			
Management levy	17,669	-	17,669
Physical plant and equipment levy	15,759	-	15,759
Debt service	65,924	-	65,924
Unrestricted	363,609	392	364,001
<b>Total net assets</b>	<u>1,565,567</u>	<u>6,665</u>	<u>1,572,232</u>

See notes to financial statements.



## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
	\$	\$	\$	\$	\$	\$
<b><u>Functions/Programs</u></b>						
Governmental activities:						
Instruction:						
Regular instruction	1,447,350	108,091	123,710	(1,215,549)	-	(1,215,549)
Special instruction	491,631	17,886	105,287	(368,458)	-	(368,458)
Other instruction	286,296	-	117,288	(169,008)	-	(169,008)
	<u>2,225,277</u>	<u>125,977</u>	<u>346,285</u>	<u>(1,753,015)</u>	<u>-</u>	<u>(1,753,015)</u>
Support services:						
Student services	25,466	-	1,725	(23,741)	-	(23,741)
Instructional staff services	40,261	-	-	(40,261)	-	(40,261)
Administration services	360,814	-	-	(360,814)	-	(360,814)
Operation and maintenance of plant services	222,050	-	281	(221,769)	-	(221,769)
Transportation services	84,447	22,217	-	(62,230)	-	(62,230)
	<u>733,038</u>	<u>22,217</u>	<u>2,006</u>	<u>(708,815)</u>	<u>-</u>	<u>(708,815)</u>
Non-instructional programs:						
Food service operations	1,636	-	-	(1,636)	-	(1,636)
Other expenditures:						
AEA flowthrough	111,114	-	111,114	-	-	-
Long-term debt interest	39,447	-	2,787	(36,660)	-	(36,660)
Facilities acquisition and construction	47,542	-	118,022	70,480	-	70,480
Depreciation (unallocated) *	98,290	-	-	(98,290)	-	(98,290)
	<u>296,393</u>	<u>-</u>	<u>231,923</u>	<u>(64,470)</u>	<u>-</u>	<u>(64,470)</u>
Total governmental activities	3,256,344	148,194	580,214	(2,527,936)	-	(2,527,936)

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

	Program Revenues				
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
	\$	\$	\$	\$	\$
Business-Type activities:					
Non-instructional programs:					
Nutrition services	153,399	81,158	66,857	-	(5,384)
					(5,384)
Total	3,409,743	229,352	647,071	(2,527,936)	(5,384)
					(2,533,320)
General revenues:					
Property tax levied for:					
General purposes				977,685	-
Management levy				29,948	-
Debt service				140,614	-
Capital outlay				37,808	-
Income surtax					
General purposes				44,934	-
Capital outlay				71,895	-
Unrestricted state grants				1,237,973	-
Unrestricted investment earnings				14,126	-
Other				3,916	-
					3,916
Total general revenue				2,558,899	-
					2,558,899
Change in net assets				30,963	(5,384)
					25,579
Net assets beginning of year, as restated (note 7)				1,534,604	12,049
					1,546,653
Net assets end of year				1,565,567	6,665
					1,572,232

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

## Balance Sheet

## Governmental Funds

June 30, 2004

	General	Debt Service	Nonmajor Special Revenue	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash	268,881	66,889	72,908	408,678
Receivables:				
Property tax:				
Current year	13,035	1,875	903	15,813
Succeeding year	885,350	103,385	72,378	1,061,113
Income surtax - succeeding year	47,855	-	76,568	124,423
Due from other governments	16,512	-	-	16,512
Other receivables	26,739	-	-	26,739
<b>Total assets</b>	<u>1,258,372</u>	<u>172,149</u>	<u>222,757</u>	<u>1,653,278</u>
<b>Liabilities and Fund Balance</b>				
Liabilities:				
Accounts payable	1,243	-	698	1,941
Deferred revenue:				
Succeeding year property tax	885,350	103,385	72,378	1,061,113
Succeeding year income surtax	47,855	-	76,568	124,423
Total liabilities	<u>934,448</u>	<u>103,385</u>	<u>149,644</u>	<u>1,187,477</u>
Fund balances:				
Reserved for debt service	-	68,764	-	68,764
Unreserved	323,924	-	73,113	397,037
Total fund equity and other credits	<u>323,924</u>	<u>68,764</u>	<u>73,113</u>	<u>465,801</u>
<b>Total liabilities and fund balances</b>	<u>1,258,372</u>	<u>172,149</u>	<u>222,757</u>	<u>1,653,278</u>

See notes to financial statements.

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2004

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 465,801
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,847,606
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(2,840)
Long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.	
General obligation bonds	<u>(745,000)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>\$ 1,565,567</u></u>

See notes to financial statements.

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Fund Types

Year ended June 30, 2004

	General	Debt Service	Nonmajor Special Revenue	Total
	\$	\$	\$	\$
Revenues:				
Local sources				
Local tax	1,022,619	140,614	139,651	1,302,884
Tuition	115,871	-	-	115,871
Other	50,445	2,643	93,774	146,862
State sources	1,473,963	144	70	1,474,177
Federal sources	133,763	-	113,750	247,513
Total revenues	<u>2,796,661</u>	<u>143,401</u>	<u>347,245</u>	<u>3,287,307</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,427,292	-	20,058	1,447,350
Special instruction	491,631	-	-	491,631
Other instruction	194,605	-	91,691	286,296
	<u>2,113,528</u>	<u>-</u>	<u>111,749</u>	<u>2,225,277</u>
Support services:				
Student services	25,466	-	-	25,466
Instructional staff services	40,261	-	-	40,261
Administration services	358,619	-	2,195	360,814
Operation and maintenance of plant services	177,690	-	44,360	222,050
Transportation services	66,813	-	8,928	75,741
	<u>668,849</u>	<u>-</u>	<u>55,483</u>	<u>724,332</u>
Non-instructional programs:				
Food service operations	<u>-</u>	<u>-</u>	<u>1,636</u>	<u>1,636</u>
Other expenditures:				
AEA flowthrough	111,114	-	-	111,114
Long-term debt:				
Principal	-	130,000	-	130,000
Interest	-	39,935	-	39,935
Facilities acquisition and construction	<u>-</u>	<u>-</u>	<u>193,176</u>	<u>193,176</u>
	<u>111,114</u>	<u>169,935</u>	<u>193,176</u>	<u>474,225</u>
Total expenditures	<u>2,893,491</u>	<u>169,935</u>	<u>362,044</u>	<u>3,425,470</u>
Excess (deficiency) of revenues over (under) expenditures	(96,830)	(26,534)	(14,799)	(138,163)
Fund balances beginning of year, as restated (note 7)	<u>420,754</u>	<u>95,298</u>	<u>87,912</u>	<u>603,964</u>
Fund balances end of year	<u>323,924</u>	<u>68,764</u>	<u>73,113</u>	<u>465,801</u>

See notes to financial statements.

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Governmental Funds  
 to the Statement of Activities

Year ended June 30, 2004

**Net change in fund balances - total governmental funds (Exhibit E)** \$ (138,163)

**Amounts reported for governmental activities in the  
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	145,634
Depreciation expense	(106,996)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

130,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

488

**Change in net assets of governmental activities (Exhibit B)**

\$ 30,963

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenses and Changes in Net Assets

## Proprietary Fund

Year ended June 30, 2004

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>81,158</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	55,575
Benefits	7,149
Services	7,039
Supplies	79,213
Property	1,461
Depreciation	<u>2,962</u>
Total operating expenses	<u>153,399</u>
Operating (loss)	<u>(72,241)</u>
Non-operating revenues:	
State sources	2,113
Federal sources	64,640
Interest income	<u>104</u>
	<u>66,857</u>
Changes in net assets	(5,384)
Net assets beginning of year	<u>12,049</u>
Net assets end of year	<u><u>6,665</u></u>

See notes to financial statements.

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

## Statement of Cash Flows

## Proprietary Fund

Year ended June 30, 2004

	School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	81,158
Cash payments to employees for services	(62,724)
Cash payments to suppliers for goods or services	(72,969)
Net cash (used in) operating activities	<u>(54,535)</u>
Cash flows from non-capital financing activities:	
State grants received	2,113
Federal grants received	52,318
Net cash provided by non-capital financing activities	<u>54,431</u>
Cash flows from investing activities:	
Interest on investments	<u>104</u>
Net (decrease) in cash and cash equivalents	-
Cash and cash equivalents beginning of year	<u>-</u>
Cash and cash equivalents end of year	<u><u>-</u></u>
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>	
Operating (loss)	(72,241)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	2,962
Commodities used	12,322
(Increase) in other receivables	(122)
Decrease in inventory	702
Increase in accounts payable	1,842
	<u>(54,535)</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash	<u><u>-</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received federal commodities valued at \$12,322.

See notes to financial statements.



## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

## Statement of Fiduciary Net Assets

## Fiduciary Funds

June 30, 2004

	Private Purpose Trusts
	<u>Scholarships</u>
	\$
<b>Assets</b>	
Cash	<u>59,686</u>
<b>Total assets</b>	<u>59,686</u>
<b>Net Assets</b>	
Reserved for scholarships	<u>59,686</u>
<b>Total net assets</b>	<u><u>59,686</u></u>

See notes to financial statements.

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

## Statement of Changes in Fiduciary Net Assets

## Fiduciary Funds

Year ended June 30, 2004

	Private Purpose Trusts <u>Scholarships</u>
	\$
Additions:	
Local sources:	
Miscellaneous	<u>2,061</u>
Total additions	<u>2,061</u>
Deductions:	
Support services:	
Scholarships	<u>2,650</u>
Total deductions	<u>2,650</u>
Change in net assets	(589)
Net assets beginning of year	<u>60,275</u>
Net assets end of year	<u><u>59,686</u></u>

See notes to financial statements.

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2004

#### (1) Summary of Significant Accounting Policies

The Clarksville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the City of Clarksville, Iowa, and agricultural area in Butler County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Clarksville Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Clarksville Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Butler County Assessor Conference Board.

##### B. Basis of Presentation

Government-wide financial statements - The Statements of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. the District's fiduciary funds include the following:

The Private Purpose Trust Funds are used to account for assets held by the District under trust agreements which require income earned to be used for scholarship payments.

#### C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa and grants from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2004.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures in the Non-instructional Program function exceeded the amount budgeted.

#### **(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2004.

### (3) Cash and Pooled Investments

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year, as restated (note 7)	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 9,505	-	-	9,505
Capital assets being depreciated:				
Land improvements	50,557	-	-	50,557
Buildings	3,098,565	216,371	-	3,314,936
Machinery and equipment	398,109	-	6,771	391,338
Construction in progress	74,764	4,027	74,764	4,027
Total capital assets being depreciated	3,621,995	220,398	81,535	3,760,858
Less accumulated depreciation for:				
Land improvements	38,613	989	-	39,602
Buildings	1,497,557	80,833	-	1,578,390
Machinery and equipment	286,362	25,174	6,771	304,765
Construction in progress	-	-	-	-
Total accumulated depreciation	1,822,532	106,996	6,771	1,922,757
Total capital assets being depreciated, net	1,799,463	113,402	74,764	1,838,101
Governmental activities, capital assets, net	1,808,968	113,402	74,764	1,847,606
<b>Business type activities:</b>				
Furniture and equipment	32,346	0	-	32,346
Less accumulated depreciation	23,111	2,962	-	26,073
Business type activities capital assets, net	\$ 9,235	(2,962)	-	6,273
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Transportation				8,706
Unallocated				98,290
				\$ 106,996
Business Type activities:				
Food service operations				\$ 2,962



**(4) Bonds Payable**

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	4.50%	\$135,000	34,085	169,085
2006	4.50	140,000	28,010	168,010
2007	4.55	150,000	21,710	171,710
2008	4.60	155,000	14,885	169,885
2009	4.70	<u>165,000</u>	<u>7,755</u>	<u>172,755</u>
Total		<u>\$745,000</u>	<u>106,445</u>	<u>851,445</u>

**(5) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$111,114 for year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(6) Risk Management**

Clarksville Community School District is a member in the Iowa Star Schools Benefits Association, an Iowa Code Chapter 28E organization. The Iowa Star Schools Benefits Association (ISSBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISSBA was formed July 1999 for the purpose of managing and funding employee benefits.

Prior to January 1, 2004 each member's contributions to ISSBA funds current operations and provided capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISSBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. The Iowa Star Schools Benefit Association entered into a fully funded insurance program as of January 1, 2004. The District paid \$76,428 in additional assessments during the year ending June 30, 2004 as its share of closing out the self-insured risk sharing pool activities of ISSBA. No further liability as a result of this program is anticipated.

Clarksville Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Accounting Change**

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus, Statement Number 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; were implemented during the fiscal year ending June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

	General	Fund Debt Service	Nonmajor Special/Revenue	Total
Net assets, June 30, 2003, as previously reported	\$420,754	95,298	87,912	603,964
GASB Interpretation 6 adjustments	-	-	-	-
Net assets, July 1, 2003, as restated for governmental funds	<u>\$420,754</u>	<u>95,298</u>	<u>87,912</u>	603,394
GASB 34 adjustments:				
Capital assets, net of accumulated depreciation of				1,808,968
Accrued interest payable				(3,328)
Long-Term Liabilities:				
Bonds payable				<u>(875,000)</u>
Net assets, July 1, 2003, as restated				<u>\$1,534,604</u>

#### **(8) Changes in Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2004 is as follows:

	General Obligation Bonds
Balance beginning of year	\$875,000
Additions	-
Reductions	<u>130,000</u>
Balance end of year	<u>\$745,000</u>

#### **(9) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$84,329, \$83,411, and \$82,956 respectively, equal to the required contributions for each year.

## Required Supplementary Information

**CLARKSVILLE COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Original</u>	<u>Final</u>	<u>Variance -</u>
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,565,617	81,262	1,646,879	1,848,088	1,848,088	(201,209)
State sources	1,474,177	2,113	1,476,290	1,554,996	1,554,996	(78,706)
Federal sources	247,513	64,640	312,153	335,000	335,000	(22,847)
Total revenues	<u>3,287,307</u>	<u>148,015</u>	<u>3,435,322</u>	<u>3,738,084</u>	<u>3,738,084</u>	<u>(302,762)</u>
Expenditures:						
Instruction	2,225,277	-	2,225,277	2,353,240	2,353,240	127,963
Support services	724,332	-	724,332	762,000	762,000	37,668
Non-instructional programs	1,636	153,399	155,035	150,000	150,000	(5,035)
Other expenditures	474,225	-	474,225	541,098	541,098	66,873
Total expenditures	<u>3,425,470</u>	<u>153,399</u>	<u>3,578,869</u>	<u>3,806,338</u>	<u>3,806,338</u>	<u>227,469</u>
Excess (deficiency) of revenues over (under) expenditures	(138,163)	(5,384)	(143,547)	(68,254)	(68,254)	(75,293)
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(138,163)	(5,384)	(143,547)	(68,254)	(68,254)	(75,293)
Balance beginning of year	<u>603,964</u>	<u>12,049</u>	<u>616,013</u>	<u>733,423</u>	<u>733,423</u>	<u>(117,410)</u>
Balance end of year	<u>465,801</u>	<u>6,665</u>	<u>472,466</u>	<u>665,169</u>	<u>665,169</u>	<u>(192,703)</u>

See accompanying independent auditor's report.

**CLARKSVILLE COMMUNITY SCHOOL DISTRICT**

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functions expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2004, expenditures in the non-Instructional function exceeded the amount budgeted.

## Other Supplementary Information

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

## Combining Balance Sheet

## Nonmajor Special Revenue Funds

June 30, 2004

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash	17,270	40,383	15,255	72,908
Property tax receivable:				
Current year	399	-	504	903
Succeeding year	50,000	-	22,378	72,378
Income surtax	-	-	76,568	76,568
<b>Total assets</b>	<u>67,669</u>	<u>40,383</u>	<u>114,705</u>	<u>222,757</u>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	-	698	-	698
Deferred revenue:				
Succeeding year property tax	50,000	-	22,378	72,378
Succeeding year income surtax	-	-	76,568	76,568
	<u>50,000</u>	<u>698</u>	<u>98,946</u>	<u>149,644</u>
Fund equity:				
Unreserved, undesignated fund balance	<u>17,669</u>	<u>39,685</u>	<u>15,759</u>	<u>73,113</u>
<b>Total liabilities and fund equity</b>	<u>67,669</u>	<u>40,383</u>	<u>114,705</u>	<u>222,757</u>

See accompanying independent auditor's report.

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances

## Nonmajor Special Revenue Funds

Year ended June 30, 2004

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	29,948	-	109,703	139,651
Other	250	89,291	4,233	93,774
State sources	31	-	39	70
Federal sources	-	-	113,750	113,750
Total revenues	<u>30,229</u>	<u>89,291</u>	<u>227,725</u>	<u>347,245</u>
Expenditures:				
Instruction:				
Regular instruction	12,355	-	7,703	20,058
Co-curricular instruction	-	91,691	-	91,691
Support services:				
Administration services	2,187	-	8	2,195
Plant operation and maintenance	21,372	-	22,988	44,360
Student transportation	4,928	-	4,000	8,928
Non-instructional programs:				
Food service operations	1,636	-	-	1,636
Other expenditures:				
Facility acquisition and construction services	-	-	193,176	193,176
Total expenditures	<u>42,478</u>	<u>91,691</u>	<u>227,875</u>	<u>362,044</u>
Excess of revenues over expenditures	(12,249)	(2,400)	(150)	(14,799)
Fund balances beginning of year, as restated (note 7)	<u>29,918</u>	<u>42,085</u>	<u>15,909</u>	<u>87,912</u>
Balance end of year	<u><u>17,669</u></u>	<u><u>39,685</u></u>	<u><u>15,759</u></u>	<u><u>73,113</u></u>

See accompanying independent auditor's report.



## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Interest	1,518	1,968	578	2,908
Athletics	3,204	29,691	32,883	12
Instrumental Music	1,276	6,257	3,794	3,739
Vocal Music	1,611	100	945	766
Drill Team	41	734	487	288
Drama/Speech	87	1,526	808	805
School Store	5,210	3,526	3,462	5,274
Industrial Technology	-	1,120	1,013	107
Tepee Teletype	-	127	127	-
Get a Grip	845	-	146	699
Elementary Projects	2,012	510	2,309	213
National Honor Society	1,941	1,182	1,242	1,881
Spanish Club	398	2,379	1,871	906
Home Economics	508	644	644	508
Special Clearing	-	5,927	5,927	-
Senior Class	1,082	896	1,978	-
Junior Class	456	6,851	7,142	165
Sophomore Class	289	95	88	296
Freshman Class	186	110	74	222
8th Grade Class	90	106	54	142
7th Grade Class	35	-	35	-
Recycling Project	707	1,335	522	1,520
Jump Rope for Heart	134	-	-	134
Special Donations	1,028	488	137	1,379
JH Magazines	13,108	4,801	5,512	12,397
JH Math	116	-	-	116
JH Student Council	1,162	64	680	546
SH Student Council	5,041	8,134	8,513	4,662
Cheerleaders	-	2,017	2,017	-
Yearbook	-	8,703	8,703	-
Total	42,085	89,291	91,691	39,685

See accompanying independent auditor's report.

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Private Purpose Trusts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Asher Scholarship	12,251	331	150	12,432
Weinberg Scholarship	38,395	1,020	2,000	37,415
Winkey Scholarship	6,835	186	-	7,021
Eslinger Scholarship	2,794	524	500	2,818
Total	60,275	2,061	2,650	59,686

See accompanying independent auditor's report.

## CLARKSVILLE COMMUNITY SCHOOL DISTRICT

## Comparison of Taxes and Intergovernmental Funds

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Local sources:				
General	1,022,619	976,711	750,758	740,787
Special revenue/debt service	<u>280,265</u>	<u>192,274</u>	<u>231,671</u>	<u>240,912</u>
	<u>1,302,884</u>	<u>1,168,985</u>	<u>982,429</u>	<u>981,699</u>
State sources:				
General	1,473,963	1,555,865	1,692,730	1,678,770
Special revenue/debt service	214	207	274	1,109
School nutrition	<u>2,113</u>	<u>2,194</u>	<u>2,385</u>	<u>2,610</u>
	<u>1,476,290</u>	<u>1,558,266</u>	<u>1,695,389</u>	<u>1,682,489</u>
Federal sources:				
General	133,763	125,537	65,119	48,953
Special revenue	113,750	-	-	-
School nutrition	<u>64,640</u>	<u>60,791</u>	<u>58,585</u>	<u>57,419</u>
	<u>312,153</u>	<u>186,328</u>	<u>123,704</u>	<u>106,372</u>
Total	<u>3,091,327</u>	<u>2,913,579</u>	<u>2,801,522</u>	<u>2,770,560</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Compliance and  
on Internal Control over Financial Reporting**

To the Board of Education of the  
Clarksville Community School District:

We have audited the financial statements of the Clarksville Community School District, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 26, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Clarksville Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Clarksville Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and no to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Clarksville Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 04-I-A is a material weakness. Prior year reportable conditions have all been resolved except for item 04-I-A.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarksville Community School District and other parties to whom Clarksville Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clarksville Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK  
Certified Public Accountant

October 26, 2004

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

**Part I: Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

04-I-A      SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

**Part II: Other Findings Related to Required Statutory Reporting:**

04-II-A      Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

04-II-B      Certified Budget - Disbursements for the year ended June 30, 2004, exceeded the amended certified budget amounts in the non-instructional program function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

04-II-C      Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

04-II-D      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

**Part II: Other Findings Related to Required Statutory Reporting:**  
**(continued) :**

- 04-II-E      Business Transactions - No business transactions between the District and District officials or employees were noted.
- 04-II-F      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 04-II-G      Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 04-II-H      Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 04-II-I      Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 04-II-J      Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

